

Press Release

Tulsi Trading Corporation (TTC)

May 3, 2019

Rating

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action
Long Term Fund Based Facility – Cash Credit	24.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
Total	24.00		

Details of Facilities are in Annexure I

Detailed Rationale

The rating of Tulsi Trading Corporation (TTC) derives comfort from the experienced promoters, established relationship with UB group, moderately diversified clientele and moderate capital structure and debt protection matrix. The rating also takes into consideration the low profitability, prices controlled by manufacturers, exposure to regulatory changes, risk of withdrawal from the partners' capital and competition from established brands. Profitability, maintaining debt metrics, efficient working capital utilisation and regulatory changes affecting the alcobev business are the key rating sensitivities.

Detailed Description of the Key Rating Drivers

Key Rating Strengths

Experienced promoter

The promoters of Tulsi Trading Corporation (TTC) have a long track record of more than four decades in the beer and liquor trading segment. Initially they were engaged in the distribution of beer of United Breweries Limited and IMFL brands of United Spirits Limited through Tulsi Trading Corporation (TTC). The business was originally started by Mr. Somjimal Fatnani, father of Mr. Ram Fatnani, in 1972. FY16 onwards, the business was split between RB and TTC.

Established relationship with UB group

The firm has an established relationship with United Breweries Limited and United Spirits Limited and is the main distributor of their products in its area of operation i.e., Thane district. Both these suppliers together control 65-70% of market share in the liquor industry.

Moderately diversified clientele

The firm has diversified client base. As the firm is into trading business of beer and IMFL, it caters to many small wine and beers shops and clubs in Thane district. The top 10 customers of the company accounted for 39.31% of total sales in 2018.

Moderate capital structure and debt protection matrix

TTC has a moderate capital structure marked by an overall gearing ratio of 1.54x as on March 31, 2018 (0.95x on March 31, 2017), which has improved to 1.02x as on December 31, 2018 (provisional). Interest coverage ratio was also comfortable at 2.11x as on 31st March 2018.

Key Rating Weaknesses

Low profitability

The profitability ratios of the firm are low with an EBITDA margin of 2.14% and a PAT margin of 1.14% for FY18. They have come down in FY18 as compared to the previous years.

Prices controlled by manufacturers

The firm does not have any control over the pricing of the products that it distributes. The prices are closely controlled by the manufacturers, UB and USL. Hence, TTC has limited flexibility in terms of pricing and consequently the margins earned by the firm are restricted to that extent.

Exposure to regulatory changes

TTC, like other players in the liquor business, remains exposed to changes in the legal and regulatory environment such as close monitoring of sales, revision of tax rates, ban on liquor sales, etc.

Risk of withdrawal from the partners' capital

There is no restriction on the partners as regards withdrawal of capital from the business. They may do so at any time and to any extent. Any withdrawals from the capital account is a key monitorable for the rating of the entity.

Competition from established brands

The firm is exposed to the risk of losing market share to brands that are competing against the brands of UB group. However, the prime position of the UB group brands in the market provides comfort.

Analytical Approach & Applicable Criteria

- Standalone Approach
- Rating Methodology for Trading Companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

The firm does not have any term loan obligations. Since, the entity is carrying on a trading business, the profitability margins are moderate. However, the cash accruals are sufficient to ensure servicing of the interest outgo. The promoters are resourceful and can infuse capital if required.

About the Company

Tulsi Trading Corporation (TTC) was incorporated in 1987 as a proprietorship firm. The firm is led by Fatnani family. Mr. Ramchand Fatnani, Mr. Bhagwan Fatnani, Mr. Shanker Fatnani. TTC is engaged in the distribution of beer of United Breweries Limited (UBL) and IMFL brands of United Spirits Limited (USL). Effective December 31, 2018, TTC was reconstituted in to a partnership firm, with two partners in Mr. Bhagwan Fatnani and Mr. Shankar Fatnani, who are Mr. Ram Fatnani's cousins.

For selected brands of UBL's beer, the firm has distributorship rights for Ulhasnagar and Navi Mumbai (Airoli to Belapur). For USL's IMFL, TTC has distributorship rights for Dombivili and Kalyan. The offices of the firm are located at Ulhasnagar and Thane and warehouses at Kongoan (Kalyan), Maharashtra.

Financials (Standalone)

(Rs. crore)

For the year ended/ As On	31-03-2017 (Audited)	31-03-2018 (Audited)
Total Operating Income	227.9	219.1
EBITDA	5.7	4.7
PAT	3.9	2.5
Total Debt	15.0	24.0
Tangible Net worth	15.8	15.6
Ratios		
EBITDA Margin (%)	2.5	2.2
PAT Margin (%)	1.7	1.1
Gearing Ratio (x)	1.0	1.5

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Acuite Ratings (erstwhile SMERA) has moved the rating of TTC to the ‘ISSUER NOT COOPERATING’ category due to non-submission of information required for conducting the review / surveillance of the rating as per Press Release dated March 19, 2019.

Any other information: Not applicable

Rating History for last three years:

Sl. No.	Name of Instrument /Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1	Long Term Fund Based Facility – Cash Credit	Long Term	24.00	IVR BBB- /Stable Outlook (IVR Triple B Minus with Stable Outlook)	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Mr. Sriram Rajagopalan

Tel: (022) 62396023

Email: srajagopalan@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company’s long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit Facility	--	9.50%	--	24.00	IVR BBB- /Stable Outlook (IVR Triple B Minus with Stable Outlook)